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Communication and Training in Local Supply Cooperatives in Virginia

Views of Managers and Directors

U. S. DEPARTMENT of AGRICULTURE
Farmer Cooperative Service in cooperation with
Virginia Polytechnic Institute and
State University Research Division

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FARMER COOPERATIVE SERVICE
U.S. DEPARTMENT OF AGRICULTURE
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Farmer Cooperative Service strengthens the economic position of farmers and other rural people by improving organization, development, management, and operation of their cooperatives. It works directly with cooperative leaders and Federal and State agencies on cooperative problems. It publishes research results and educational materials and issues the *News for Farmer Cooperatives*.

The Service helps (1) farmers and other rural residents get better prices for products they sell and obtain supplies and services at lower cost; (2) rural residents use cooperatives to develop and make effective use of their resources; (3) cooperatives improve their services and operate more efficiently; (4) members, directors, employees, and the public to better understand how cooperatives work and benefit their members and their communities; and (5) encourage international cooperative programs.

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HIGHLIGHTS

Virginia local farm supply cooperatives are trying to respond to members' and patrons' requests for new products and services. Of 18 cooperatives studied in fiscal 1969, 12 receiving such requests were able to implement them. Others could not, because of inadequate demand to sustain new products or services or insufficient capital to establish them. Findings indicated directors could be more active in developing plans and obtaining members' views.

Information was collected from 18 managers and 33 directors of independent cooperatives (those not affiliated with a regional association) on communication procedures; educational and training opportunities made available to directors, managers, and members; directors' participation in making decisions on adding new products or services; long-range planning; and the degree to which directors actively represent members.

All 18 associations had some type of communications program and all reported they intended to expand use of at least one communications channel the following year. Few cooperatives planned to eliminate or decrease use of any method of communication.

Managers of these local farm supply cooperatives recognized the necessity of effective communication, but in the small cooperatives they generally overlooked the importance of employees' contacts with members and the public.

In 14 of the cooperatives surveyed, managers received additional training or education. Only two of the associations provided their directors with training and only one offered educational opportunities to the general membership. Most associations said they recog-

nized the importance of educating both groups. However, many small cooperatives had neither a program nor the finances to accomplish this.

Managers and directors suggested specific areas of education they thought would be desirable. Both recommended that directors should be trained in long-range planning, cooperative laws and principles, and the significance of directors' loyalty and responsibility to the cooperative.

Most cooperatives reported long-range planning efforts. Sixteen of the 18 said they tried to forecast cooperatives' needs between 3 and 7 years into the future.

Many managers and directors identified the manager as being primarily responsible for long-range planning. In decisionmaking routines, managers studied, evaluated, and presented proposals to the directors.

For the most part, the extent of directors' involvement in considering the addition of major new products or services was expression of approval or disapproval when the manager presented his recommendations at a board meeting.

Nearly half the cooperative directors, although elected as representatives of the members, did not receive members' complaints and suggestions. Most directors reported the manager was members' first choice for the person to whom they would bring such complaints or recommendations.

Findings suggest that an educational program should be undertaken to ensure, among other things, that directors fully comprehend and carry out their duties and responsibilities as elected representatives of members.

COMMUNICATION AND TRAINING IN LOCAL SUPPLY COOPERATIVES IN VIRGINIA

Views of Managers and Directors

By Roland E. Duckett and R. Lee Chambliss, Jr.¹

Cooperatives are important economic institutions in Virginia. At the end of fiscal 1969, there were 121 supply, marketing, and related service cooperatives in this State. Serving approximately 170,000 members, these cooperatives had a net business volume (excluding intercooperative business) of \$207 million.

Virginia cooperatives reflect a national trend in that their net business volume expands most years despite gradually declining memberships.

Many cooperative leaders have identified certain areas as being critical to successful development and operation of farmer cooperatives. These include: (1) communication procedures, (2) educational opportunities, (3) responsiveness to members' needs, and (4) long-range planning. Further, the degree of participation by directors in decisionmaking, long-range planning, and member-relations activities has been identified as a critical aspect of successful operation.

OBJECTIVES OF THE STUDY

The specific objectives of this study of local farm supply cooperatives in Virginia were to determine:

(1) The extent to which the cooperatives inform their members and patrons of available goods and services, and the methods used.

(2) Educational programs the cooperatives conduct for management personnel, boards of directors, and the general membership.

(3) Methods the cooperatives use to ascertain present needs of members and patrons.

(4) Major new products and services added by the cooperatives in the last 3 years and the decisionmaking

procedure followed when the products or services were added.

(5) The extent of long-range planning by the cooperatives and methods used.

(6) Ways in which members of the board of directors fulfill their roles as elected representatives of cooperative members.

The results of this study will help managers and directors of farm supply cooperatives, both in Virginia and throughout the country, improve their communications, educational programs, long-range planning, and decisionmaking.

SOURCE OF DATA

The information for this study was assembled by personal interviews with the manager and two directors (the president and one other board member selected at random) of each of 18 independent or unaffiliated local farm supply cooperatives in Virginia.

There are 82 farmer cooperatives and about 20 other farmer organizations or groups handling production supplies in Virginia. The 18 cooperatives that were studied were the only ones in Virginia that met all the following criteria:

- (1) They were incorporated under the Virginia Agricultural Cooperative Associations Act.
- (2) They were primarily chartered for business, not promotional or fraternal purposes (operating throughout the year), and transacted a minimum of \$20,000 worth of business annually.
- (3) Their members were individual farmers.
- (4) They were not managed or financed by a regional wholesale cooperative. They made independent, autonomous decisions.

¹This report is based on the senior author's master's thesis: *Communication Procedures, Educational Programs, Decision-Making Routines, and the Role of the Director in Independent Farm Supply Cooperatives in Virginia* (Virginia Polytechnic Institute and State University Library, Blacksburg, Va., 1969). The study was conducted under a cooperative agreement between Virginia Polytechnic Institute and State University and FCS.

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The volume of business of these 18 cooperatives varied significantly. Thus, some results of this study are presented in terms of three size groups: (1) small cooperatives, with less than \$500,000 of annual business; (2) medium-sized cooperatives, with annual busi-

ness volumes between \$500,000 and \$1 million; and (3) large cooperatives, with more than \$1 million of annual business. Seven of the cooperatives studied were small, five of them were medium sized, and the other six were large.

ORGANIZATION AND MANAGEMENT OF THE COOPERATIVES

This section presents a brief description of the cooperatives studied and of the managers and directors interviewed.

Business Organization

The small, medium, and large cooperatives exhibited quite dissimilar characteristics of business organization and management. Each of the small cooperatives was a single retail outlet with a full-time manager. At the other extreme, each large cooperative had a centrally located primary retail outlet and two to five secondary branch outlets. The management team in all of these cooperatives was headed by a general manager and division managers or branch store managers. In the medium-sized cooperatives, we found various combinations of the business organization and managerial characteristics of the small and large groups.

Nature and Size of Business

The cooperatives sold feed, seed, petroleum, fertilizer, and general farm supplies (table 1). Also, three large and two medium-sized cooperatives sold groceries and related consumer items. The three large cooperatives included grocery divisions that reported an average annual gross revenue of almost \$2 million, while the grocery operations of the two medium cooperatives were considerably smaller. Farm equipment, including new and used machinery, was sold by one large cooperative.

The addition of consumer products suggests that farmer cooperatives are attempting to provide one-stop shopping, provide more services to present members, attract potential new patrons, or increase volume of business.

Average membership, patronage, and volume of business varied significantly among the three groups. The average volume of business ranged from \$242,000 in the small cooperatives to \$810,000 and \$4,549,300, respectively, in the medium and large groups. Average membership was 1,552 in the small group, 1,832 in the medium group, and 5,765 in the large group.

Table 1.—Volume of business transacted by 18 independent farm supply cooperatives, by supplies category and by size group, Virginia, fiscal 1969

Supplies handled and size of cooperatives	Cooperatives reporting ¹	Average volume	
		Number	\$1,000
Feed:			
Small	7		74
Medium	5		344
Large	6		1,502
Total or average	18		625
Fertilizer:			
Small	5		78
Medium	4		196
Large	5		1,117
Total or average	14		483
Seed:			
Small	7		41
Medium	4		76
Large	4		300
Total or average	15		119
General farm supplies:			
Small	6		87
Medium	4		203
Large	4		742
Total or average	14		301
Petroleum:			
Small	3		5
Medium	3		118
Large	2		325
Total or average	8		128
Total:			
Small	7		242
Medium	5		810
Large	6		4,549
Total or average	18		1,833

¹ Cooperatives reporting: Small, 7; medium, 5; and large, 6.

Who Are the Managers?

The total cooperative employment experience of the managers increased appreciably with size of cooperative—it averaged 15 years in the small cooperatives, 18 years in the medium-size, and 23 years in the large cooperatives. However, the average length of service as manager was twice as long in the small and medium-sized cooperatives as in the large ones. These two contrasting facts imply that managers of the large cooperatives had been affiliated with cooperatives in some other capacity for a substantial period before they were appointed to their present position. It seems that they had to "work up" to the manager's position.

The average levels of the managers' education were approximately 12, 13, and 14 years, respectively, in the small, medium, and large cooperatives. A more descriptive indicator of disparity in education is the minimum levels reported. Managers of the small and medium-sized cooperatives had a minimum education of 7 years and 8 years, respectively, compared with 12 years for managers in the large cooperatives. There is a strong implication that in terms of formal education the managers of large cooperatives are better trained to manage the business.

Although managers of large cooperatives had more years of total cooperative employment, they became managers at a considerably lower average age than the managers of the smaller cooperatives. Table 2 shows that as the size of the business increased, the level of education of the manager increased and the age at which he became manager decreased.

Data in table 2 suggest that larger cooperatives sought as managers the younger, more energetic, better educated men with longer periods of cooperative employment, and were better able than the smaller cooperatives to attract such persons.

Table 2.—Characteristics of managers of 18 independent farm supply cooperatives, by size group, Virginia, fiscal 1969

Characteristics of managers	Size of cooperative ¹			All
	Small	Medium	Large	
Years	Years	Years	Years	
Average length of cooperative employment	15	18	23	18
Average tenure as manager	12	14	6	11
Average age when became manager	44	42	35	40
Average amount of schooling	12	13	14	13

What Are Board Members Like?

The majority of directors in these cooperatives had served on the board for many years. Average tenure as director was 11 years in the small cooperatives, 15 years in the medium-sized cooperatives, and 14 years in the large cooperatives (table 3). The tenure of presidents on the board averaged about 2 years longer than that of other directors.

Closely associated with tenure of directors is the frequency with which they are elected or reelected to officer positions on the board. Eight percent of the directors in the large cooperatives, 29 percent in the medium-sized cooperatives, and 54 percent in the small ones had been elected to positions other than the one they held at the time of interview. These findings indicate that memberships on the board and officer positions change more frequently and are held by more individuals in small cooperatives than in either medium or large cooperatives.

Average educational levels of the directors increased from 12 years in the small cooperatives to 14 and 15 years, respectively, in the medium and large associations (table 3). The average for presidents was not significantly above that of other directors. Also, medium levels of education reported by directors were 5 to 7 years higher in medium and large cooperatives than in small ones. These findings strongly imply that directors of medium and large cooperatives should be better prepared, by virtue of their education, to evaluate problems facing the modern farmer cooperative.

The directors, when first elected to the boards of large cooperatives, averaged approximately 9 years younger than new directors in the small associations (table 3). However, persons serving currently as presidents were 5 years older than other board members when first elected to the board.

Table 3.—Characteristics of directors of 18 independent farm supply cooperatives, by size group, Virginia, fiscal 1969

Characteristics of directors	Size of cooperative ¹			All
	Small	Medium	Large	
Years	Years	Years	Years	
Average tenure as a director	11	15	14	13
Average age when first elected director	48	41	39	44
Average amount of schooling completed	12	15	14	13

¹ Managers reporting: Small, 7; medium, 5; and large, 6.

¹ Directors reporting: Small, 13; medium, 8; and large, 12.

As in the case of managers, larger cooperatives seemed to select as directors younger men with more formal education than those selected in smaller cooperatives. Presi-

dents, on the average, had more "seniority" than other board members—they were 5 years older when elected to the board, and had served 2 years longer on the board.

COMMUNICATIONS MEDIA USED

In the vital area of communications effectiveness, many persons contend that extra effort will return extra benefits in terms of loyal support and patronage of both members and patrons.

This study sought to determine to what extent and by what methods the cooperatives attempted to communicate with their members and with others, and to evaluate these methods.

To Whom Directed

Eight of the 12 small and medium cooperatives reported that their communications programs were directed to farm people in general, while the remainder reported that they were primarily interested in communicating with their members or patrons. Communicating with members or patrons was the reported goal of three of the large cooperatives; however, two were interested in reaching nonfarm as well as farm people.

This strongly suggests that large cooperatives are turning more to the nonfarm sector to expand business volume than are the small and medium cooperatives. This deduction is further supported by the products that the large cooperatives have added to their lines—lawn and garden care supplies, automotive items, and electrical appliances.

Relative Popularity

Data in table 4 indicate the relative popularity of the several channels of communication that the cooperatives utilized during fiscal 1969. As required by the Virginia Agricultural Cooperative Associations Act, all associations held annual meetings. Radio, newspapers, outdoor signs and billboards, telephone contact between employees and patrons, and youth-related activities were used by at least half the 18 cooperatives.

Information on the various channels of communication used during fiscal 1969 included the primary party to whom the information was directed, person developing materials for the channel, planned changes in intensity of use, and a success evaluation of the specific channels used.

Many implications may be drawn from the data in table 4. While all six large cooperatives and four of the five medium-sized ones reported they considered patron contacts with cooperative employees a significant

Table 4.—Number of independent farm supply cooperatives using specified channels of communication, by size group, Virginia, fiscal 1969

Communication channel	Size of cooperatives ¹			All
	Small	Medium	Large	
Number using				
Annual meeting	7	5	6	18
Radio	5	5	6	16
Newspaper	6	5	5	16
Outdoor signs and billboards	6	5	5	16
Telephones	3	4	5	12
Personal contact between employees and patrons	1	4	6	11
Youth organizations	3	3	4	10
Agricultural Extension Service	1	2	5	8
Direct mail	2	2	4	8
Newsletter	2	1	3	6
Formal discussion groups	2	1	3	6
Cooperative handouts	2	0	4	6
Farm magazines	3	1	1	5
Car decals	3	1	1	5
Television	0	1	2	3

¹ Cooperatives reporting: Small, 7; medium, 5; and large, 6.

channel of communication, only one of the seven small associations recognized this channel. This suggests that communications of the small cooperatives could be improved if conscious efforts were made to train and encourage employees to use contacts with patrons effectively.

Large cooperatives have communication programs that use many channels in addition to the traditional ones—radio, newspaper, and annual meetings (table 4). Handouts, formal discussion groups, newsletters, direct mail, and the Agricultural Extension Service are used as channels of communication by a considerably higher proportion of large cooperatives than by medium and small ones.

Table 5.—Communications directed primarily to specified types of audiences by 18 independent farm supply cooperatives, by size group and communication channel used, Virginia, fiscal 1969

Communication channel and size of cooperatives ¹	Cooperatives reporting	Type of audience contacted		
		Members and patrons	Farm-people	Farm and nonfarm people
Number of cooperatives				
Annual meeting				
Small	7	4	3	0
Medium	5	5	0	0
Large	6	4	2	0
Total	18	13	5	0
Radio				
Small	5	3	2	0
Medium	5	0	3	2
Large	6	1	3	2
Total	16	4	8	4
Newspaper				
Small	6	2	2	2
Medium	5	0	3	2
Large	5	1	2	2
Total	16	3	7	6
Telephone				
Small	3	0	2	1
Medium	4	1	3	0
Large	5	2	1	2
Total	12	3	6	3
Personal contacts of employees and patrons				
Small	1	0	0	1
Medium	4	0	3	1
Large	6	2	3	1
Total	11	2	6	3
Youth groups				
Small	3	1	2	0
Medium	3	1	2	0
Large	4	1	2	1
Total	10	3	6	1
Extension Service				
Small	1	0	0	1
Medium	2	1	1	0
Large	5	1	3	1
Total	8	2	4	2
Direct mail				
Small	2	2	0	0
Medium	2	2	0	0
Large	4	0	3	1
Total	8	4	3	1
Formal discussion groups				
Small	1	0	1	0
Medium	2	1	1	0
Large	4	2	2	0
Total	7	3	4	0
Newsletter				
Small	2	1	1	0
Medium	1	0	1	0
Large	3	2	1	0
Total	6	3	3	0

¹ Cooperatives reporting: Small, 7; medium, 5; and large, 6.

Since the cost of television is high, only three cooperatives—one medium-sized and two large ones—used it. Even these three used it so sparingly that they were unable to make generalizations concerning its effectiveness.

Channels Most Commonly Used

Among the 10 most commonly used channels, only the annual meeting was used by all 18 cooperatives.

Data in table 5 show the public segment toward which each of the 10 most common channels of communication was directed. The three audiences identified are (1) members and patrons, (2) all farm people in general, including members and patrons, and (3) nonfarm people.

Cooperatives of all sizes used the annual meeting primarily for communicating with members and patrons, as one would expect. Several also tried to reach farm people in general through the meeting. In contrast, radio and newspaper items were directed to a much broader segment—to both farm and nonfarm people in general. The telephone was reported used much more for contact with other persons than with members and patrons. Direct mailings were used by the smaller cooperatives to contact members and patrons, and by the larger ones to reach nonmembers.

Personal contacts made by the cooperative's employees, work with youth groups, and use of the Agricultural Extension Service were directed predominantly at farm and nonfarm people rather than to current members and patrons. Cooperatives that used formal discussion groups or newsletters directed them as much to farmpeople in general as to members and patrons. Discussion groups and newsletters were used much more commonly by the larger than by the smaller cooperatives.

Cooperatives' Evaluations of Channels

How cooperatives evaluate the effectiveness of each of the communication channels they used as poor, fair, good, or excellent is shown in table 6. The only channels evaluated as poor by any significant number of cooperatives were the annual meeting and radio, and these by only 25 percent or less of the cooperatives reporting. On the other hand, almost 20 percent rated these two channels excellent. Larger cooperatives generally rated annual meetings somewhat lower than did small and medium-sized associations.

The effectiveness of newspapers, telephones, youth groups, and direct mailings was generally evaluated as fair to good by cooperatives of all sizes. Those cooperatives that used the Agricultural Extension Service and formal discussion groups rated effectiveness as good to excellent.

Table 6.—Evaluation of the success of specified communication channels used by 18 independent farm supply cooperatives, by size group, Virginia, fiscal 1969

Communication channel and size of cooperatives ¹	Cooperatives reporting	Degree of success			
		Poor	Fair	Good	Excellent
		Number			
Annual meeting					
Small	7	2	1	3	1
Medium	5	2	0	2	1
Large	6	0	5	0	1
Total	18	4	6	5	3
Radio					
Small	5	1	2	0	2
Medium	5	2	1	1	1
Large	6	1	3	2	0
Total	16	4	6	3	3
Newspaper					
Small	6	0	2	2	2
Medium	5	0	1	3	1
Large	5	1	1	3	0
Total	16	1	4	8	3
Telephone					
Small	3	0	0	3	0
Medium	4	0	2	2	0
Large	5	0	3	1	1
Total	12	0	5	6	1
Personal contacts of employees					
Small	1	0	0	1	0
Medium	4	0	0	4	0
Large	6	0	1	3	2
Total	11	0	1	8	2
Youth groups					
Small	3	0	1	2	0
Medium	3	0	2	1	0
Large	4	0	2	0	2
Total	10	0	5	3	2
Extension service					
Small	1	0	0	1	0
Medium	2	0	0	2	0
Large	5	0	1	1	3
Total	8	0	1	4	3
Direct mail					
Small	2	0	0	2	0
Medium	2	0	2	0	0
Large	4	0	2	2	0
Total	8	0	4	4	0
Formal discussion groups					
Small	1	0	0	0	1
Medium	2	0	0	2	0
Large	4	0	0	2	2
Total	7	0	0	4	3
Newsletter					
Small	2	0	2	0	0
Medium	1	0	0	0	1
Large	3	0	1	1	1
Total	6	0	3	1	2

¹ Cooperatives reporting: Small, 7; medium, 5; and large, 6.

Table 7.—Anticipated changes in specified communication channels used by 18 independent farm supply cooperatives, by size group, Virginia, fiscal 1969

Communication channel and size of cooperative ¹	Cooperatives reporting	Anticipated change in usage			
		Abandon use	Decrease level	Maintain level	Expand level
		<u>Number</u>			
Annual meeting					
Small	7	0	0	5	2
Medium	5	0	0	4	1
Large	6	0	0	3	3
Total	18	0	0	12	6
Radio					
Small	5	0	1	2	2
Medium	5	1	0	4	0
Large	6	0	1	5	0
Total	16	1	2	11	2
Newspaper					
Small	6	0	0	2	4
Medium	5	0	0	4	1
Large	5	0	0	4	1
Total	16	0	0	10	6
Telephone					
Small	3	0	0	1	2
Medium	4	0	0	2	2
Large	5	0	0	2	3
Total	12	0	0	5	7
Personal contacts of employees					
Small	1	0	0	1	0
Medium	4	0	0	2	2
Large	6	0	0	1	5
Total	11	0	0	4	7
Youth groups					
Small	3	0	0	2	1
Medium	3	0	0	2	1
Large	4	0	0	2	2
Total	10	0	0	6	4
Extension service					
Small	1	0	0	1	0
Medium	2	0	0	0	2
Large	5	0	0	1	4
Total	8	0	0	2	6
Direct mail					
Small	2	0	0	2	0
Medium	2	0	0	1	1
Large	4	0	0	3	1
Total	8	0	0	6	2
Formal discussion groups					
Small	1	0	1	0	0
Medium	2	0	0	0	2
Large	4	0	0	1	3
Total	7	0	1	1	5
Newsletter					
Small	2	0	0	2	0
Medium	1	0	0	1	0
Large	3	0	0	3	0
Total	6	0	0	6	0

¹ Cooperatives reporting: Small, 7; medium, 5; and large, 6.

Eleven of the cooperative managers interviewed recognized personal contacts made by employees of the cooperative as a channel of communication. This recognition was restricted almost entirely to the large and medium-sized cooperatives. This channel was rated good by almost three-fourths and excellent by almost one-fifth of those recognizing it.

Six of the 18 supply cooperatives published a newsletter periodically. One-half of these were large cooperatives, and one-third were small. The effectiveness of this channel was rated much higher by large than by small cooperatives.

Perhaps a more valid test than a verbal rating of a channel of communication is what change, if any, is planned with respect to its future use. Data in table 7 show the changes that managers of the supply cooperatives expected in the use of each channel. Replies of managers indicated that actions planned were less severe than the verbal ratings shown in table 6 indicated.

Although radio received ratings of poor to excellent, only one cooperative planned to abandon its use and only two to decrease its level of usage (table 7). Only small cooperatives intended to expand the level of radio usage.

The extent of newspaper usage would be maintained by most cooperatives, but would be expanded by a majority of small cooperatives. A number planned to expand telephone usage.

The larger cooperatives expected to further develop communication opportunities afforded through employee contacts, indicating considerably greater appreciation of this potential by larger than by smaller associations. Again, it appears the larger cooperatives appreciate and plan to expand the use of both the Agricultural Extension Service and formal discussion groups. Only one cooperative, a small one, planned to decrease its use of discussion groups.

Practically no change was anticipated in the usage level of periodical newsletters or direct mailings. Work with youth groups would be continued by about 60

percent of the cooperatives and expanded by 40 percent of those currently engaged in this activity.

In summary, there were distinct communication channels common to the large and the small cooperatives. Furthermore, the cooperatives in each group were primarily interested in continuing use of these channels rather than trying new ones.

Expenditures for Communication Programs

The actual expenditures for the total communications program increased as the volume of business transacted increased. The average cost of communications was \$1,560 in the small cooperatives, \$1,828 in the medium-sized ones, and \$13,011 in large associations (table 8).

Reflecting possible economies of scale, the average expenditures on communications represented approximately 0.6 percent of the average annual volume of business in the small cooperatives, but declined to approximately 0.2 percent in both the medium and large ones. Expenditures for communications within the groups varied widely—for example, from \$300 to \$31,970 in the large cooperatives—reflecting a tremendous difference in the importance placed on communications by the cooperatives in this group.

These expenditures, however, were not true indicators of the total amounts spent for the communications program because cooperatives often share advertising costs with the manufacturers and suppliers whose products they sell. Seventeen of the 18 cooperatives reported that they participated in numerous advertising arrangements.

The findings support the conclusion that many independent farm supply cooperatives are diligently attempting to communicate with their various audiences. However, what they are attempting to communicate was not fully indicated in this study and may have considerable influence on the choice of the most effective channels of communication.

EDUCATIONAL PROGRAMS OFFERED

Through education and training, cooperatives often attempt to help members improve skills and at the same time become more valuable and loyal supporters of their association. In addition to this broad education of the general membership, cooperatives are exerting added efforts to provide more specialized training for managers and directors.

The evolution in the size and complexity of today's cooperatives increases the need for managers and direc-

tors to make timely and accurate decisions concerning business operations and policies, including the addition of major new products and services.

A specific cooperative's educational program may encompass its manager, directors, or general membership. What are local supply cooperatives doing in this area? This section discusses the extent to which the three groups are being educated, the expenses incurred, and the types of education each group receives.

Table 8.—Cost of the total communication programs reported by 18 independent farm supply cooperatives, by size group, Virginia, fiscal 1969

Size of cooperatives ¹	Cooperatives reporting	Cost of program		
		Average	Maximum	Minimum
	Number	Dollars	Dollars	Dollars
Small	7	1,560	3,059	360
Medium	5	1,828	4,000	800
Large	6	13,011	31,970	300
Total or average	18	5,452	31,970	300

¹ Cooperatives reporting: Small, 7; medium, 5; and large, 6.

Opportunities for the Manager

Twenty-eight, 20, and 66 percent, respectively, of the small, medium, and large cooperatives reported a structured educational program (one preplanned for at least 1 year) for managers. However, 57 percent of the small, 80 percent of the medium, and 100 percent of the large cooperatives extended additional training or educational opportunities to them.

All managers attended commodity seminars, conferences, or workshops, while managers of some large cooperatives participated in research tours to examine the operations of cooperative complexes in the Midwest.

Average expenditures in 1969 for these educational programs increased substantially with size of cooperative, from an average of \$119 in the small associations to \$700, and \$1,702, respectively, in the medium and large cooperatives (table 9). While the average expenditures varied considerably between groups, the range in expenditures within the groups was much wider. In the large cooperatives, for example, expenditures on education of the manager ranged from only \$25 in one cooperative to \$5,000 in another. Such a wide range implies that the large cooperatives differ considerably in their estimates of the value of educating and training the manager, or that needs and opportunities for such training vary widely from year to year.

The average number of man-days of annual training or education per cooperative manager increased from 4 days in small cooperatives to 2 weeks or more in medium and large associations (table 9). While large cooperatives afforded fewer days of training, they provided considerably more funds for training their managers than the medium-sized cooperatives.

The information presented in table 9 indicates that a high percentage of supply cooperatives appreciate the importance of management training. However, three of

the small and one of the medium-sized cooperatives reported no activity or expenditures in this area. Also, the last two columns of table 9 show that very little was spent by cooperatives in any size group on education and training of anyone other than managers. This may be the result of failure to recognize inadequacies on the part of directors and members in the performance of their roles.

Both managers and directors believed that managers need additional training. The upper portion of table 10 indicates that managers themselves placed about equal emphasis on their needs for additional training in financial management, merchandising, special commodity interests, cooperative laws and principles, and public and personnel relations. The directors, however, placed twice as much emphasis on the need for improving the business and financial management abilities of the manager, and relatively less emphasis on the other areas mentioned by the managers, except for about the same emphasis on merchandising.

Opportunities for Directors and Members

No structured educational programs for either the directors or the general membership were reported by any cooperatives. Moreover, only three cooperatives offered directors or members an opportunity to obtain organized training or education beyond that provided by the cooperative itself. Most of the directors who saw no need for further training of directors were in the larger cooperatives; none were in the small ones.

Although the large cooperatives were more active in educating the managers than were the small and medium-sized associations, the reverse was true regarding special efforts to supply the association's young farmers

Table 9.—Days of training received by managers, and expenditures for training of managers and for total educational program, 18 independent farm supply cooperatives, by size group, Virginia, fiscal 1969¹

Size of cooperatives	Average days of training received by managers	Average expenditures for training of managers	Average expenditures for total educational program
	Days	Dollars	Dollars
Small	4	119	215
Medium	17	700	700
Large	14	1,702	1,792
Average	12	984	995

¹ 14 cooperatives reported days of training received by managers and expenditures for total educational program, 13 reported expenditures for training managers.

with general agricultural production information. Nine of the 12 small and medium associations reported special efforts to aid young farmers; however, only half of the six large cooperatives had done so.

Additional Training Suggested

Although the cooperatives generally did not provide for the training of either directors or members, both managers and directors reported that it would be highly beneficial. Only 22 percent of the managers and 36 percent of the directors believed training would be of little benefit.

The remainder of both groups suggested many specific areas in which additional training for directors would be beneficial. Training in cooperative history and principles, in addition to appreciation of directors' loyalty and responsibility to the cooperative, was recommended by a majority of the managers. Thirty-six percent of the directors reported that a combination of training in cooperative history, laws, and principles would be beneficial, while 18 percent desired additional training in long-range planning (table 10). However, many directors either did not appreciate the value of long-range planning or did not realize that they should be concerned with it.

The idea of the cooperative extending training opportunities to the general membership was supported by 77 percent of the responding managers and 70 percent of the responding directors. Areas in which the managers and directors thought the general membership should receive training included member loyalty and responsi-

bility to the association, as well as production techniques and economic decisionmaking concepts.

The presidents consistently gave more recommendations than did other board members in all categories of training for managers, employees, and members.

Successful growth of a cooperative requires support and participation of its members. Important implications arise from the managers' and directors' belief that cooperative members were not fully aware of their responsibilities and of the importance of their loyalty to the cooperative.

Table 10.—Percentages of managers and directors recommending specified categories of training for managers, directors, and members, 18 independent farm supply cooperatives, Virginia, fiscal 1969

Category of training or education recommended for—	Recommended by—	
	Managers	Directors
Managers:		
Business financial management	22	42
Merchandising	17	15
Commodity training	17	0
Cooperative laws and principles	17	0
Public and personnel relations	17	9
Directors:		
Cooperative principles, history, laws	61	36
Long-range planning	44	18
Directors' responsibility, loyalty, etc.	39	12
Members:		
Technical training (primarily production)	39	41
Members' responsibilities and loyalty	33	26

Responsibility For Program Development

Development of a comprehensive educational program was thought by both managers and directors to be primarily the responsibility of the manager. Since the directors have the authority to formulate general and internal policies for the long run as well as for the short run, it would seem that they should determine policy on providing adequate programs of education and training. It is then the duty of managers to develop programs for implementing the policy.

One manager looked ahead to the time when the educational program would result from the joint venture

of many smaller associations that consolidated their individual programs into an organized, centralized educational program. Perhaps public education, such as that

provided by the Extension Service and the State Cooperative Council, is needed and justified in greater measure.

METHODS USED TO DETERMINE AND MEET PATRONS' NEEDS

Three major steps in ensuring that the cooperative remains responsive to members' and patrons' needs and demands are: (1) ascertaining members' current needs, (2) incorporating patrons' requests into decisionmaking routines, and (3) accurately forecasting future demands. The activity of the associations in these three areas is described below.

Ascertaining Current Needs

Methods used to determine present needs of members, as reported by managers and directors, are shown in table 11. Patron contacts with field representatives were emphasized by managers, whereas directors reported heaviest reliance on patron contacts with the manager.

There are two important concepts in the managers' evaluations. Member discussion at annual meetings was considered to help ascertain patrons' needs by the managers of about three-fourths of the small and medium-sized cooperatives and one-third of the large cooperatives. Second, managers thought that patrons' contacts with directors were important in establishing needs of patrons.

The other half of the management team, the directors, believed that patrons' contacts with the manager were extremely important in determining patrons' needs. Both directors and managers rated patrons' contacts with directors important as a method of determining patrons' needs.

Findings from this study suggest that specific provisions be made to determine patrons' needs, rather than assuming that it is somehow being done.

Using the annual meeting to ascertain needs of patrons was reported by only two managers of large cooperatives, although nine directors of large cooperatives reported such use (table 11). This difference may be partially explained by a difference in emphasis—the directors may be searching for ideas to generate greater financial resources, while the managers may be concerned with pressing organizational problems to whose solution patrons seldom contribute useful ideas. Perhaps directors share the viewpoints and concerns of patrons much more fully than those of managers, and so find patrons' comments at annual meetings of more significance than do the managers.

Table 11.—Number of managers and directors reporting use of specified methods to determine present needs of patrons, 18 independent farm supply cooperatives, by size group, Virginia, fiscal 1969

Methods used to determine present needs, and size of cooperatives ¹	Reported by managers	Reported by directors
	Number	Number
Suggestion box		
Small	1	2
Medium	0	0
Large	1	0
Total	2	2
Patron contacts with field representatives		
Small	4	2
Medium	4	6
Large	5	10
Total	13	18
Distribution of questionnaires to patrons		
Small	1	2
Medium	1	0
Large	3	6
Total	5	8
Patron contacts with directors		
Small	4	3
Medium	4	7
Large	3	10
Total	11	20
Spot checks of patron buying in other stores		
Small	3	7
Medium	1	3
Large	1	5
Total	5	15
Member discussion at annual meeting		
Small	5	6
Medium	4	6
Large	2	9
Total	11	21
Patron contacts with the manager		
Small	5	9
Medium	5	8
Large	6	11
Total	16	28

¹ Cooperatives reporting: Small, 7; medium, 5; and large, 6.

Considering Patrons' Requests

Managers and directors indicated that their cooperatives used a systematic procedure to consider patrons' requests for major new products or services. Generally, the requests were considered at a directors' meeting. Methods of introducing a request to the cooperative included a written request by the patron, his appearance at the meeting, or the presentation of his request by either the manager or a director.

Eighty-eight percent of both managers and directors reported that patrons' requests for major new products or services were evaluated by the board of directors, or by the board and the manager together. In a few cases, the evaluation was made by the manager alone. Use of a special committee for this purpose was quite unusual.

The directors reported that requests were generally reviewed and evaluated monthly, or at least quarterly, although the managers said that quarterly, or even annually, was the most common interval for this activity.

Managers of 13 cooperatives reported that they had received patron requests for major new products or services during the last year. Average requests received (computed on the basis of those receiving requests) ranged from 11 in the small cooperatives to nine and 27 in the medium and large associations, respectively.

Also meaningful is the number of requests that had been implemented during the last fiscal year. Sixty percent of the small cooperatives' managers receiving requests were unable to fill any of them. All the medium-sized cooperatives receiving requests were able to fill at least one. Forty percent of the large cooperatives' managers reported that they had filled no patron requests during the last year; however, the average number of requests filled was three for these cooperatives.

The principal reasons cited for being unable to meet requests were lack of adequate demand to sustain the operation and insufficient capital to initiate the operation. One responding manager indicated that he could not fill a specific request, because the service requested was being offered more economically by another business in the area.

Making Decisions

This study attempted to document the decision making processes of independent farm supply cooperatives. Managers and directors were asked to trace the steps taken when major new products and services were added.

Managers reported—and the directors basically agreed—that generally they themselves originated the idea of the added product or service; however, competition in the area frequently prompted the association to consider a new product or service. This prodding by competition implies that cooperatives are not always pace setters in their areas.

Between 50 and 60 percent of the managers reported that patrons' requests were used to formally introduce the idea of a new product or service to the cooperative. There was greater reliance upon this method by large and medium-sized cooperatives than by small associations. In the latter group, the usual procedure was for the manager, a salesman, or a field representative of a manufacturer to present the idea to the association at a board meeting. This indicates that small farmer cooperatives depend more upon their suppliers for ideas than medium and large associations.

Ideas and proposals for major new products or services were evaluated and studied for as long as 5 years and usually for 18 to 36 months. Managers estimated the study period as being longer than directors did—perhaps their impatience with delay made the period seem longer to the managers, or perhaps the manager had considered it for some time before the directors were aware of it.

The primary study and evaluation of an idea was made by the manager, according to 92 percent of the reporting managers and directors. This indicates that little use was made of committees—either of staff or of board members—to evaluate ideas before reaching a final decision.

In the opinion of 95 percent of the respondents, a final decision was made by directors. They arrived at the final decision after managers had conducted an investigation and advanced recommendations and proposals on which the directors acted.

In only three associations (two small and one medium) were cooperative members directly involved in decisionmaking. In these cases, members voted on proposals at the annual meeting.

The final step—an extremely important one—in decisionmaking is conveying notice of the action to members. The cooperatives used many different methods to accomplish this task. The most common method reported by directors and managers was through personal contacts with members at the cooperative store and elsewhere. Newspaper items and radio broadcasts were the second and third most commonly used methods (table 12). Directors reported more use of newsletters and radio and less use of personal contacts and the annual meeting than did managers.

Table 12.—Percentages of managers and directors reporting use of specified methods to inform members of new products or services, 18 independent farm supply cooperatives, Virginia, fiscal 1969¹

Method used	Managers	Directors
	Percent	Percent
Radio	22	33
Newspaper	44	42
Newsletter	6	12
Personal contacts	77	67
Annual meeting	22	15

¹ The percentages are not additive because many cooperatives reported using more than one method.

Planning for the Future

An integral part of the operations of a successful cooperative is long-range planning, based upon timely and accurate forecasts. This study sought insights into long-range planning practices of the cooperatives.

Long-range planning was reported to have been conducted by all of the medium and large cooperatives, but by only two of the seven small cooperatives.

The managers were reported to be entirely responsible for long-range planning by 55 percent of the managers and directors. Mutual efforts of managers and directors were credited by 33 percent of the managers and 37 percent of the directors with developing long-range plans. Only a small minority—7 percent of the managers and 17 percent of the directors—indicated that only directors were concerned with long-range planning. Practical considerations would seem to require that cooperative managers become deeply involved in developing long-range plans, but that boards of directors make final decisions on adoption or rejection of plans.

The diversity of replies among managers and directors regarding long-range planning suggests that managers and presidents work together in this area much more than managers and other board members. It seems necessary and proper for the management staff to be concerned with gathering and analyzing data, preparing materials, and making recommendations to the board of directors for judgment and final decision. However, a substantial need seems to exist for a more formal organizational framework to consider future needs beyond the common 1-year business planning period. The use of special long-range planning committees might be one way of accomplishing this.

The average length of planning period was reported by both the managers and the directors to be slightly more than 4 years. The medium-sized cooperatives had

the longest planning horizon—about 7 years. The small cooperatives used about 3 years, and the large ones about 4½ years, as their average planning spans.

A forecast of patrons' needs and developments comprises many factors. Table 13 lists the major factors on which both groups of respondents indicated that their forecasts were based. Approximately three-fifths of the responding managers and directors indicated that patrons' requests were important elements of forecasts. Fifty-five percent of the responding directors reported that past sales were useful in forecasting the future, while only 33 percent of the managers reported this factor was important. Although 56 percent of the managers reported that new farm products were important components of their forecasts, only 39 percent of the directors reported using this factor.

These factors were analyzed and forecasts were made primarily through informal methods—that is, discussion by managers and directors at board meetings; however, 50 percent of the large cooperative managers reported that selected members were surveyed to ascertain general reaction to proposals.

Analysis indicated very little difference between large and small cooperatives in considering the several factors used in forecasting demand. The small cooperatives considered a smaller number of factors, and gave little consideration to such technical developments as new processing technology and new industrial products for farm use. Somewhat less attention to new farm products was exhibited by managers of small than large cooperatives. Beyond these minor exceptions, cooperatives of all sizes seem to rely upon essentially the same factors in forecasting demand. However, both managers and presidents gave more weight to population changes than did other directors.

Table 13.—Percentages of managers and directors reporting use of specified factors in estimating forecasts of patrons' future demands, 18 independent farm supply cooperatives, Virginia, fiscal 1969

Factors used	Managers	Directors
	Percent	Percent
Patrons' requests	61	58
New farm products	56	39
Farm income	39	45
Farm population	33	33
Membership (change in composition of)	33	33
Past sales	33	55
Population changes	28	24
New processing technology	22	36
New industrial products for farm use	17	39

To provide for cooperative growth, 82 percent of the managers thought that efforts should be made to attract the patronage of nonmember farmers who are eligible for membership. Two-thirds of the directors agreed with the managers (table 14). Slightly smaller percentages of both managers and directors favored soliciting business of rural nonfarmers. Less than half of both groups advocated seeking the business of town or urban people. Board presidents were somewhat less inclined than managers to seek more nonmember business (table 14). The presidents were the reluctant group—other board members had about the same attitude as the managers.

Many managers and directors stated that attracting nonmembers would require the addition of new products or services. The expected additions would be consumer rather than producer goods and services. The

Table 14.—Percentages of managers and directors favoring transaction of additional business with prospective nonmember groups, 18 independent farm supply cooperatives, Virginia, fiscal 1969

Prospective group	Managers	Directors
	Percent	Percent
Nonmember farmers	82	67
Rural nonfarmers	65	64
Town or urban people	47	42

seeking of urban business would produce new situations and new problems and require considerable education of all parties concerned. Change in tax liability might be a major concern.

ROLE OF THE DIRECTOR IN MEMBER COMMUNICATIONS

An integral part of the public relations program of a successful cooperative should be the timely transmission of members' comments and complaints to the cooperative. The management staff may incorporate members' opinions into plans to change operations or make adjustments. To better serve members, management should remain receptive to their views.

Theoretically, the directors may transmit members' opinions and represent their views at board meetings or to the manager. This study sought information regarding the manner in which members inform the cooperative of recommendations or complaints, and the role the directors assume in the process.

Some knowledge of the role the directors assume in public relations can be gained from their ideas as to whom members would initially contact regarding complaints and suggestions.

A majority of the directors said the members would initially take both complaints and recommendations to the manager, not to the directors (table 15). The 3 percent suggesting store employees as preferred recipients of complaints represented one large cooperative.

The immediate implication of table 15 is that directors, the elected representatives of the members of the cooperatives, have not been active with respect to members' complaints and recommendations. This may be because members simply choose the most direct channel of communication; then, if not satisfied, they go to the board of directors.

The directors also were asked to report the number of recommendations and complaints they had received during the year. Only 46 percent of the directors of the small cooperatives had received either recommendations or complaints during the last year (table 16)—an average

Table 15.—Percentages of directors reporting specified cooperative personnel as those to whom members prefer to transmit complaints and recommendations, 18 independent farm supply cooperatives, Virginia, fiscal 1969

Personnel preferred	Complaints	Recommendations
	Percent	Percent
Managers	52	58
Directors	45	42
Store employees	3	0
Field representatives	0	0

Table 16.—Average number of complaints or recommendations received by directors and percentage of directors receiving them, 18 independent farm supply cooperatives, by size group, Virginia, fiscal 1969

Size of cooperative	Complaints or recommendations	
	Number received per director	Proportion of directors receiving them
Small	3.6	46
Medium	¹ 4.7	75
Large	3.7	66
Average	3.9	61

¹ Excludes one director reporting an estimated 100 complaints or recommendations. If this director was included the number of complaints or recommendations would average 16.5.

of less than four per director. Among the large cooperatives, the average number of suggestions received was about the same, although the percentage receiving them was somewhat higher. Among the medium-sized cooperatives, the directors seemed to have been more sought out. The average number of suggestions received by these directors was 4.7, and the proportion of directors receiving suggestions was considerably higher among this group (table 16).

Presidents of the cooperatives reported that they received more complaints and more recommendations than were reported by other board members. Presidents also placed more emphasis than did other board members on the desirability of transmitting complaints and recommendations through board members.

Of the directors who received *recommendations*, 94 percent reported that they presented the ideas at the board meeting. The remaining 6 percent reported that they discussed the idea with the manager. Seventeen percent of the directors reported that the addition of a product or service resulted from the recommendation, whereas 83 percent indicated that the recommendation

had been studied, but no action was taken at the time of consideration.

Sixty-six percent of the directors who had received *complaints* presented them at the board meeting. Thirteen percent indicated that they had referred complaints to the manager, while 21 percent said that they had discussed a complaint at length with the member and had thereby settled the issue.

Thirty-eight percent of the directors reported that their cooperative had initiated action to correct a situation which gave rise to a complaint, and 15 percent reported that a product or service was added as a result of a complaint. The remaining 26 percent said that a complaint had been discussed and currently tabled. The directors who settled a complaint after discussing it with the member saved time and effort on the part of employees.

These reports show that directors who had actually received either complaints or recommendations usually brought them to the attention of the board or the manager. Whether they were equally faithful in conveying results back to the member was not determined by this study.

RELATION OF VOLUME AND SELECTED OPERATING CHARACTERISTICS

Since there was considerable range in the size of the 18 farm supply cooperatives, a relationship might be expected to exist between size and number of communications and other operating characteristics. Although many characteristics were tested, only seven showed close association with variations in volume of business (table 17).

Size of business was found to be more closely associated with expenditures for the total communications program than with those for the total educational program. Expenditures for newspaper space tend to

increase more rapidly than expenditures for education as volume of business increases. The manager's salary level is more directly related to volume of business than the manager's level of education. And, as would be expected, there is a very strong association between number of patrons and total dollar volume of business.

Some conclusions we may make from these findings are that cooperatives with larger volumes of business pay their managers more, select as managers persons with higher levels of education, and spend more for training or additional education of their managers.

IMPLICATIONS OF FINDINGS

One implication of this study is that managers of independent local farm supply cooperatives have assumed many of the duties that directors should assume, or, in some cases, duties directors formerly assumed when the cooperatives were first formed. These additional duties—policy formulation, long-range planning, and member relations—take time and effort that managers could probably utilize more effectively in aspects of management more directly concerned with operating efficiency.

Cooperatives should provide additional training of

directors to help them define their duties and responsibilities and to appreciate their importance in the cooperative.

Although cooperatives do not attempt to educate the general membership or directors, the cooperative leaders—that is, managers and directors—recognize the need for additional education or training, and would undertake this if their economic position permitted it. These findings suggest that it might be feasible for cooperatives to pool resources to improve director education and training.

Table 17.—Relationship of selected operating characteristics with total volume of business of 18 independent farm supply cooperatives, Virginia, fiscal 1969

Operating characteristics	Degree of association with dollar volume of business	Correlation coefficient ¹
Expenditures for the total communications program	Very strong	0.88
Expenditures for newspaper space (advertising)	Very strong	.67
Expenditures for the total educational program	Strong	.56
Expenditures for education of the management personnel	Strong	.50
Manager's level of education	Strong	.49
Manager's salary level	Very strong	.76
Number of patrons	Very strong	.78

¹ A coefficient of 1.00 indicates perfect correlation or degree of association between the two factors. Thus, the lower the correlation coefficient, the weaker the association between the specified characteristic and the volume of business transacted.

OTHER FCS PUBLICATIONS AVAILABLE

A Supply Cooperative—As Farmers See It, FCS Research Report 12. Raymond L. Simms and R. Lee Chambliss, Jr.

Using Cooperative Directors to Strengthen Member Relations, Educational Circular 23. Irwin W. Rust.

Exploring Communication Processes in a Farmer Cooperative—A Case Study, General Report 97. James A. Copp and Irwin W. Rust.

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Managing Farmer Cooperatives, Educational Circular 17. Kelsey B. Gardner.

Improving Management of Farmer Cooperatives, General Report 120. Milton L. Manuel.

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